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June 5, 2002

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Mr. Ferree:

At the May 10, 2002, "PHILA Hoedown" meeting you distributed written questions and requested the various parties represented at that meeting to provide written answers by June 6.

MPAA's answers to the relevant questions, those relating to Copy Protection, are attached. I trust these answers are fully responsive to your questions. If you require any clarifications or need additional information, please let me know.

I want to take this opportunity to thank you and your colleagues for your commitment to providing the widest possible choice of viewing options to consumers, and your recognition that protecting content against miss-use is essential to the achievement of this goal. As producers and distributors of entertainment content, MPAA members share your objective, and look forward to working with you to make it a reality.

Respectfully Submitted,

Cc: Ms. Marlene H. Dortch, Secretary, FCC (for inclusion in CS Docket No. 97-80 and PP Docket No. 00-67)

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June 3, 2002

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**MPAA RESPONSES TO MAY 10 PHILA HOEDOWN QUESTIONS RELATING
TO COPY PROTECTION**

A. Encoding Rules --

1. Should cable and satellite be operating under similar rules?

In a free and functioning marketplace the content protection requirements for any particular program offering will be determined in the license negotiation between the distributor -- cable, satellite or any other broadband, or narrowband, medium -- and the content provider. It is certainly understandable that cable operators would not want competing delivery systems such as Satellite to have greater rights protection options than they have, because it would give such competing systems a competitive advantage in obtaining content. MPAA is of the view that the marketplace should be allowed to sort out whether these protection options are similar.

**Have manufacturers signed licensing agreements with
satellite operators that contain copy protection standards
that they oppose in the context of the PHILA?**

This question appears to be directed only to manufacturers.

**2. Could the affected industries live with the 5C encoding rules
as a general policy?**

As a general policy, MPAA member companies do not support the application of encoding rules because such rules unduly restrict the ability of the marketplace to determine the rules that best satisfy the interests of all participants. In the give and take of the 5C negotiating process in which certain member companies negotiated material terms such as third party beneficiary rights, and the continued participation of content providers in changes to specifications and all other matters affecting content providers, those companies agreed to the encoding rules in the 5C Content Participant Agreement. The broad imposition of encoding rules is unnecessary in a functioning marketplace where the best determinant is the marketplace itself.

**What about 5C encoding rules as a baseline that could be
overridden for specific non-broadcast content with robust
notice and customer express consent?**

As noted above, mandating encoding rules would restrict marketplace innovation that could expand consumer choice.

B. Down resolution -- Is there an alternative to down resolution to address the analog hole issue?

In early negotiations between the CE and content industries regarding the specifications for high definition television sets, various individual studios made it clear that, to protect against rampant high definition piracy, robust content protection for analog and digital connections to these sets would be required before certain selected classes of non-broadcast high resolution content would be made available. Nonetheless, CE manufacturers were insistent in their desire to introduce sets into the market without such protections.

In the case of the current 5C agreement entered into by two studios, down resolving was the negotiated give and take solution to this impasse, yielding a picture higher in quality than DVD and which is much higher in quality than that available to standard definition television sets. Further, to this day the vast majority of consumer high definition sets cannot technically resolve beyond this agreed upon level of resolution (960x540). The other five studios have offered 5C an alternative proposal, not accepted by 5C, which would allow a licensee studio to choose between down-resolving its content or forgoing any downresolving and participating in a process by which 5C licensees would "sunset" the availability of component analog outputs.

As the above discussion illustrates, MPAA is open to any alternative to down resolution that will limit the severe risks to high-resolution content associated with the continued use of unprotected digital and component analog video outputs.

Unfortunately, MPAA members are not aware of any industry-wide alternative that is readily available at this time. In the long run, MPAA hopes that component analog outputs will be "sunset" in favor of protected digital outputs. Until technology is developed to secure component analog outputs or an industry-wide "sunset" of such outputs can be arranged, member companies that want to protect their content are faced with only three options: 1) limiting high-resolution content solely to protected digital outputs such as 1394/5C and DVI/HDCP which will provide copy/redistribution control but will deny owners of analog-only high-resolution displays access to this content; 2) not releasing high resolution content at all; or 3) limiting the resolution of high resolution content passing through unprotected analog outputs. The last option will expose such content to copying and redistribution in less than high resolution, but it will provide owners of analog-only displays with access to programming they would otherwise lack.

It should be noted, however, that deploying down-resing capability does not mean that all content will be down-resed. That decision will be up to the particular content provider and the delivery service, each of which will be sensitive to the wishes of its customers. But the surest way to ensure that consumers will have the ability to receive the widest variety of high definition content is to hasten the deployment of devices with protected digital interfaces.

C. DVI Outputs -- Is DVI spec something CE manufacturers can build-to, or does a decision need to be made between DVI and HDMI? If a choice needs to be made, how and when will it happen?

This question appears to be directed only to CE manufacturers. However, MPAA member companies have worked hard to ensure that DVI and HDMI will be inter-compatible from a CE standpoint so that, for example, DVI-equipped set top boxes will properly function when plugged into HDMI equipped TV sets, and vice versa. In addition we have been assured that HDCP content protection will be made available to be licensed to both of these physical interfaces for maximum compatibility.

D. Selectable Output Controls

- 1. Should specific PHILA/OCAP limitations regarding selectable output controls be established such as only an interface that has been compromised may be disabled?**
- 2. Do cable operators or the studios have any interest in selectable output controls beyond a security breach?**

As stated in its March 20 letter to House Commerce Committee Chairman Tauzin, "MPAA and its member companies are not seeking in the 5C license or in the OpenCable PHILA context the ability to turn off the 1394/5C digital interconnect in favor of a DVI/HDCP interconnect through a selectable output control mechanism." MPAA does believe, however, that the cable industry has a legitimate interest in providing its subscribers with set-top-boxes that have selectable output control capability.

Whether that capability ever will be used cannot be predicted. But what can be predicted is that, without this capability, cable operators and subscribers would be seriously disadvantaged vis-a-vis other delivery systems that do have this capability. There may be occasions where use of this capability would be advantageous to consumers. For instance, it might be possible to make special event offers of movies prior to their normal release dates only with the highest level of protection against unauthorized copying. Unauthorized copying and retransmission from unprotected outputs would not only threaten specific event offerings but might also prevent general consideration of innovative early window offerings.

The basic issue is whether cable subscribers should be provisioned with equipment capable of providing the broadest practicable range of content security, thereby maximizing subscribers' opportunities to receive high-value content. Device manufacturers appear to be petitioning government to place limitations on the functionality of their devices in order to limit consumer options. MPAA believes that it is in the interest of consumers, as well as every other party -- delivery system operators, device manufacturers, content suppliers -- to maximize functionality and options.

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3. How likely is it that the next generation set-top box will have two different digital outputs, a 1394 and a DVI?

This question can best be answered by manufacturers. However, MPAA members fully expect that both networking digital outputs such as IEEE 1394 (appropriately protected by a technology like DTCP) and uncompressed display feeds like DVI or HDMI (again, appropriately protected) will be present on many devices. They serve different purposes. One allows efficient recording and is used to feed recorders, while the other provides an economical way to feed a display-only device that has no processing capability. In any event, these decisions are completely within the control of the equipment manufacturer.

4. Are the OCAP specifications regarding selectable output control and down resolution similar to the licensing requirements for DBS boxes?

This question appears to be directed only to manufacturers.